

**HAFP-0082- Arkansas Development Finance Authority
Treasury Feedback for Resubmission of Plan**

Please revise the HAF plan by providing a response to the question(s).

Completeness

- Your plan lists Robert Arrington as the Authorized Official, while the original application for HAF payments was signed by Governor Asa Hutchison. To ensure prompt payment upon approval, the Authorized Official needs to be the same as the signatory on the original application for HAF payments. If you need to establish a new authorized representative for HAF payments, please submit a request by email to HAF@treasury.gov.
 - (1) ADFA plans to establish a new authorized representative for HAF payments and will be submitting a request to the email above with further details.

Homeowner Needs and Community Engagement Data

- No questions

Community Engagement and Public Participation

- Please provide an update indicating any public comments you have received since you submitted your HAF Plan, from which organization you received any such comment, and whether you have responded to the comments
 - (1) ADFA confirms we have not received any additional public comments on the content of the plan since the original plan submission date.

Ongoing Assessment of Homeowner Need

- No questions

Program Design

- Please confirm your exclusion of reverse mortgages and contracts for deed and explain what steps you have taken to assess the needs of homeowners with these mortgage types. Please summarize any community feedback or data on which you have based this decision.
 - (1) ADFA confirms the exclusion of reverse mortgages and contracts for deed mortgage types in its initial HAF plan. It reserves the right to make changes at a later date based on need, as expressed by actual homeowner applications and/or receipt of public comment. At this time, ADFA has not received any public comment or community feedback on this item.

- Please confirm that your program will not be utilizing housing counselors or legal services to assist homeowners in evaluating loss mitigation options available for their mortgage. If your program will not be utilizing housing counselors, describe how your program will assist homeowners in evaluating their loss mitigation options.
 - (1) ADFA confirms at this time that it will not engage housing counselors or legal services to perform administrative work on behalf of its HAF pilot or the initial phase of its statewide Program launch. We reserve the right to amend this approach at a later date.
 - (2) Homeowner applicants who are determined ineligible for ADFA's HAF reinstatement program will be directed to their servicer to explore alternative loss mitigation options, and referred to housing counseling and/or legal services for additional support. The ADFA website and application portal will provide a list of housing counseling/legal services to inform applicants of resources throughout the state should they be needed by the applicant.
 - (3) As it pertains to evaluating homeowners for loss mitigation options, ADFA will use homeowner's yes/no responses to the question about whether they can resume monthly mortgage payments to direct and inform them about what steps they should take to be evaluated for other loss mitigation options.
 - Homeowners who meet all program criteria and are able to immediately resume payments will be fully reinstated.
 - Homeowners who meet all program criteria but need more time before they can resume payments will be provided with reinstatement plus three additional monthly payments. This approach will supplement, not replace, other loss mitigation efforts and protect the homeowner from delinquency, default and foreclosure as they work with their servicer and/or housing counseling/legal services to explore other loss mitigation options that help them resume payment of their loan.
 - (4) ADFA takes seriously Treasury's guidance to avoid documentation requirements that are likely to be barriers to participation for eligible households. Utilizing applicant responses to determine if the homeowner is best served by reinstatement or reinstatement plus will keep the program administratively simple and assessable while protecting homeowners from default and foreclosure.
 - On NCSHA's recent call with Treasury and FHA, the approach to "ask the homeowner if they can resume payments" was highlighted numerous times as a simple way to determine if the homeowner requires additional assistance.
 - The disbursement strategy to provide reinstatement plus three, lump payments is designed to help ADFA effectively manage its administrative budget and streamline operations.

- In situations where the HAF assistance includes or will be limited to payments for mortgage reinstatement, please explain whether and how you will assess whether a similar or more appropriate alternative loss mitigation option is available through the servicer.
 - (1) Homeowners who meet ADFA's HAF program criteria will benefit from the immediate foreclosure relief and debt reduction associated with reinstatement of their past due mortgage payments. Debt reduction is particularly meaningful for low-to-moderate income households, especially those who reside in persistently impoverished counties and those who are socially disadvantaged. Reinstatement is a complement to, not a replacement of, many other loss mitigation options made available to homeowners from their servicer/investor.
 - (2) Homeowners who meet program criteria but are unable to immediately resume post-assistance payments will receive reinstatement plus three payments. These homeowners will be referred to their servicers to explore additional loss mitigation options, and/or to housing counseling/legal services for supplemental support.
- Please explain what steps, if any, your program will take to assist the homeowner in determining whether a HAF-resolution will result in a sustainable monthly payment?
 - (1) ADFA does not intend to develop a Program metric to define a sustainable mortgage payment or collect the documents needed to perform a comprehensive underwrite to calculate this metric for purpose of eligibility determination. ADFA believes it is the servicer's responsibility to determine what type of relief assistance the homeowner will get based on the homeowner's loan type, actual loan details, including the corresponding loss mitigation options available from the investor at the time of the review. We also believe that housing counseling and/or legal services are best positioned to provide homeowner support as they work with their servicers.
- Your programs set \$25,000 as the maximum amount of assistance per homeowner. Please explain how you determined this amount will be sufficient to resolve housing-related delinquencies and whether the cap will be sufficient in areas with higher housing costs?
 - (1) ADFA determined this cap amount based on data available at the time of the original plan development. The pilot program has provided additional data and important insights. ADFA intends to increase the maximum amount of assistance to \$40,000 per homeowner. ADFA does not want to prevent an otherwise eligible homeowner from receiving reinstatement assistance based solely on exceeding its program cap.
 - During the pilot, ADFA denied eight (8) homeowners for exceeding the program cap.
 - Increasing the program cap to \$40,000 will ensure eligible homeowners with protracted delinquencies and hardships are able to obtain much-needed relief including those households in areas with higher housing costs.
 - (2) In addition, ADFA intends on amending the number of delinquent mortgage payments required to apply for assistance from one to two payments. Doing so acknowledges that mortgage default begins once a homeowner misses two payments. This change ensures ADFA is mitigating true financial hardships associated with mortgage default that may lead to foreclosure.

- To the extent your program will provide HAF funds when reinstatement amounts are in excess of the program cap, what steps will you take to ensure that the homeowner's delinquency is resolved and the account is brought fully current?
 - (1) ADFA believes that increasing the reinstatement cap to \$40,000 will significantly mitigate or eliminate a partial reinstatement that requires use of homeowner funds to bring a loan fully current. ADFA does not want to decline an otherwise eligible homeowner from receiving reinstatement assistance based solely on the program cap.
 - (2) ADFA intends to provide partial reinstatement assistance only when a homeowner has funds to pay the past due amount that exceeds the Program cap. We are currently working with servicers to ensure they will combine HAF and homeowner funds to bring the loan fully current.
 - (3) To the fullest extent possible, ADFA will partner with servicers to maximize outreach efforts that enable homeowners to resolve their delinquency through the use of a HAF reinstatement.
- Please provide the rationale for the requirement that the mortgage must be held by a lender/servicer with an NMLS number. Would this requirement risk the exclusion of homeowners in need of assistance?
 - (1) ADFA requires use of an NMLS number for servicer participation as a fraud prevention method. Specifically, ADFA wants to avoid sending HAF monies to a private party that is not an established mortgage servicer. ADFA will monitor this element of the program and make adjustments to ensure homeowner applicants with servicers that do not have an NMLS number are not being excluded without consideration.
- Please provide the rational for not using a fact-specific proxy as one method for establishing eligibility under your plan, including how you determined that without such a proxy, your program can avoid unnecessary barriers to participation by eligible homeowners.
 - (1) Based on experience in the pilot program, ADFA now intends to implement a fact-specific proxy for the program. The approach will include written attestation plus reasonable fact-specific proxy for household income. A written attestation as to household income will be provided by the homeowner, and the proxy will be used for the homeowner's income verification. If the household falls within any of the persistent poverty counties identified, the household will be presumed to meet income verification requirements. Doing so will avoid unnecessary barriers to participation and ease the documentation burden for these socially-disadvantaged homeowners.

Outreach

- No questions.

Prioritization

- Please discuss the rationale for limiting the prioritization of Socially Disadvantaged Individual (SDI) applicants to the first 30 days of the program.

(1) The approach discussed within the plan submission is intended to facilitate an early advantage for SDI applicants. SDI and income targeted applications submitted within the first 30 days will receive priority processing and take precedence over other application in the pipeline. While the initial review may take longer than 30 days, it will be based on the submission date. Once the early advantage SDI applications have been reviewed, we will then begin actively monitoring the portfolio to manage priority. Through our pipeline management, we will ensure we meet the targeting goals and requirements set forth by US Treasury for both income targeting and the SDI population. We believe the approach noted within the plan allows the program to meet the prioritization requirements as well as ensure uninterrupted funding to applicants.

Additionally, we will measure the success of the outreach and marketing and use our pipeline to help inform us of changes needed to ensure we're reaching the SDI applicants and meeting the income targeting goals.

- Given that SDI applicants may be more difficult to reach than other applicants, describe your strategy for conducting outreach to SDI applicants to ensure that they will be able to apply for assistance within the first 30 days of the program.

(1) SDI applicants are a priority of Arkansas's HAF program. We plan targeted outreach efforts to communicate with this population group. We have a two-phased approach. Phase 1 is our 30-day prioritization period to ensure SDI homeowners are aware of the program and encouraged to apply. Phase 2 is our ongoing SDI communication which will include elements of Phase 1 as well as continue to inform and educate these homeowners throughout the Program lifecycle. Our messages will serve to answer questions and remove obstacles that may hinder them from applying. Details related to the Phase 1 approach are listed below. The efforts in Phase 2 will be similar, but on an ongoing basis. As noted below in our Readiness section, we plan to begin the Phase 1 marketing campaign two weeks prior to a statewide go-live date.

- **Phase 1: 30-day SDI initial prioritization outreach**

- Radio – we will create and place PSAs and paid radio spot on local stations that broadcast in these underserved markets. Our media buy will be a mix of stations with emphasis placed on stations whose listeners are in high-SDI communities as well as Spanish and Marshallese language stations.
- Social media – Arkansas HAF will combine social media posts with paid social media ads. The ads will use social media algorithms to target zip codes with high SDI residents and areas identified by census tract data. Posts and paid ads will appear in English, Spanish, and Marshallese.
- How-to videos have been created that walk a homeowner through a step-by-step process to help them determine eligibility. These videos will live on the website as well as shared via social media. There will also be Spanish language transcripts of the video. We will provide these videos to our community partners as well.

- Community Partner collaboration – In the first 30 days, Arkansas HAF will provide our local community partners with a comprehensive toolkit to assist them as they help us spread the word. By having state and local agencies, non-profits and other faith-based groups equipped with the information they need, we can ensure citizens are getting complete/accurate information about the program. Items in the toolkits include posters, flyers, bi-lingual door hangers, pre-crafted social media posts with digital assets, and FAQ documents.
- Speaking engagements – An Arkansas HAF representative will go into the community speaking to groups about the HAF program. These in-person gatherings serve to answer questions and share information. Special emphasis has been placed on the states' top SDI communities. Our speaking opportunities will prioritize these areas in the first 30 days.
- Press releases – We will distribute press releases to local broadcast media. The series of releases will communicate news about 1) when the portal will open; 2) opening day announcement; 3) ongoing updates on numbers and milestones.

Performance Goals

- Please explain how you intend to communicate your progress towards performance to the public.
 - (1) Once ADFA HAF program is live, we intend to publish HAF performance data via our HAF Program website.
- Please indicate which three metrics will serve as the best indicators of the success of your program.
 - (1) Total Number of Funded Households/Total Dollar Amount of Funded Benefits
 - (2) Total Number of Socially Disadvantaged Funded Households/Total Dollar Amount of Funded Benefits to Socially Disadvantaged Household.
 - (3) Average Days to process HAF Application (from complete application submitted to decisioned – approved, denied, withdrawn)
- Please indicate whether you intend to disaggregate metrics by income, race, gender, etc.
 - (1) ADFA can disaggregate metrics by income, race, gender as data is available.
- Please consider including as an additional metric the number of homeowners assisted/foreclosures prevented solely through counseling or legal services without payment of HAF funds to resolve the homeowner's defaults or delinquencies.
 - (1) ADFA does not have a mechanism to report this data to Treasury. Perhaps Servicers can assist with this information – or, housing counseling and/or legal services could report this data directly to Treasury.

Readiness

- Please provide the most recent available information about your program's readiness, including staffing, contractors, etc..

(1) ADFA has been under contract with both our vendors, HORNE LLP (HORNE) and ProLink Solutions (ProLink), since late May 2021.

- **Application System:** The application system has largely been delivered by ProLink, and will be modified as additional guidance (e.g., reporting guidance) is release by US Treasury. HORNE has been trained on ProLink+ and has been working within the system for the pilot program since late June.
 - **Call Center:** The call center has been operational since June. Training has taken place on all current program details, as well as the application system. Program leadership will provide ongoing training as needed based on any changes. The call center is staffed at approximately half capacity during the pilot program. HORNE is actively advertising for the remaining positions but will not onboard until those resources are needed upon US Treasury approval. We will plan to have the remaining resources onboarded and adequately trained prior to the established statewide go-live date.
 - **Program Administration:** The program administration/eligibility team has also been operating since the start of the pilot program in late June. Standard Operating Procedures (SOP) have been established and documented. The team is continuing to refine SOPs based on learnings from the pilot program, and intent to continue that effort until the statewide launch. The current eligibility team is staffed at approximately half capacity during the pilot program. HORNE is actively advertising for the remaining positions but will not onboard until those resources are needed upon US Treasury approval. We will plan to have the remaining resources onboarded and adequately trained prior to the established statewide go-live date.
 - **Marketing:** Marketing has developed a robust project plan for the launch of the statewide program. As part of that plan, initial marketing materials have already been developed in preparation of the statewide launch. Upon approval from US Treasury, all documents will be proofed a final time to ensure changes, if any, have been appropriately captured.
- Is your program prepared to launch upon approval and, if not, by what date will you be ready to launch following approval?

(1) Depending on the timing of US Treasury approval, ADFA believes we will be ready for the statewide launch by the end of December (assuming US Treasury approval by early December). As mentioned above, our call center and program administration team are operating at half capacity based on volume. We estimate we will need approximately two weeks to onboard and adequately train the remaining resources. Our marketing team estimates a two week lead time prior to statewide launch to properly market the program and engage interest for a successful statewide launch. Therefore, if US Treasury approval is provided by early December, we believe those items could be accomplished and a statewide go-live date set prior to the end of December.

In the meantime, ADFA is also working to streamline and expand its active HAF pilot results. We understand that a successful pilot is the best way to ensure readiness for statewide launch. ADFA, through its primary contractor, has recently engaged multiple team members with HHF experience to champion the Common Data File (CDF) process – including servicer outreach engagement and use of the CDF. Through the servicer outreach and onboarding effort, ADFA believes we will have an adequate number of servicers onboarded by mid-December 2021 to set up for a successful statewide launch before month-end.

- Please provide updated information about your progress in spending the initial 10% payment from your jurisdiction's full allocation and the status of any pilot assistance already offered or made available to homeowners.

(1) The pilot program has disbursed approximately \$226,813 to 26 eligible homeowners as of November 15, 2021. In addition, the pilot program has obligated \$1,638,150 as of November 15, 2021. ADFA has also incurred approximately \$785,263 in administration fees

ADFA, through its primary contractor, is working to expand the outreach for the pilot program. We are working with several servicers that have been onboarded to determine a viable population to market the pilot program in an effort to build the pilot program pipeline. Our goal is to identify additional households and exhaust pilot program funds by the end of December 2021.

Budget

- No questions.